

(Draft - Awaiting Formal Approval)

**MINUTES OF THE  
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR  
APPROPRIATIONS SUBCOMMITTEE  
Room 25, House Building  
February 1, 2016**

**Members Present:** Sen. Brian E. Shiozawa, Senate Chairman  
Rep. Stewart E. Barlow, House Vice Chair  
Sen. Curtis S. Bramble  
Sen. Gene Davis  
Sen. Wayne A. Harper  
Sen. Ann Millner  
Sen. Jerry W. Stevenson  
Sen. Evan Vickers  
Rep. Patrice M. Arent  
Rep. Val L. Peterson  
Rep. John R. Westwood  
Rep. Mark Wheatley  
Rep. Brad R. Wilson

**Members Absent:** Rep. Johnny Anderson  
Rep. James A. Dunnigan  
Rep. Jeremy A. Peterson  
Rep. Dixon M. Pitcher, House Chairman

**Staff Present:** Dr. Andrea Wilko, Chief Economist  
Ms. Clare Tobin Lence, Fiscal Analyst  
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

Rep. Barlow called the meeting to order at 8:00 a.m.

**MOTION:** Rep. Barlow moved to approve the minutes of the October 19 and 28, 2015 meetings. The motion passed unanimously with Sen. Bramble and Sen. Harper absent for the vote.

**Heritage and Arts Analyst Presentation and Agency Response Base Budget**

Economist Wilko reviewed the five divisions of the Department of Heritage and Arts using the COBI online. Legislative pass through is a separate line item which is fairly volatile because much of the funding is one-time. Expendable Revenue Funds were pointed out. Fee changes are available online with the materials for this committee. The analyst recommends proposed internal reallocations which have a net zero impact for FY 2016 and FY 2017 but more accurately represent where the O & M expenditures are. Non-lapsing intent is also requested.

Julie Fisher, Executive Director, reviewed the department vision statement and mission statement. It was reported that the initiative of digitization of archaeological site records was completed 100 percent two years ahead of schedule. The records are now available online. The travel system is now being handled online with significant savings in time of reimbursements. Office of Museum Services performed 19 preservation assessments in the field and 33 site visits. Utah State Library has provided professional development and best-practices training for almost 5,000 library staff members across the state. UServe Utah reported over 155 million hours volunteered which ranks Utah #1 in the nation. The hours are equivalent to 85,144 FTE's and economic impact of almost \$5.5 million. The Multi-Cultural Youth Leadership Summit continues to grow. Division of Indian Affairs works closely with the State Office of Education aiming to improve graduation rates of multi-cultural youth. Through the Division of State History, students participate in History Day on the Hill, and some have the opportunity to go to Washington D.C. The state history online website has close to 400,000 users. Utah State Library circulated 301,548 items to the visually impaired. Braille materials are circulated to 19 other states.

Brian Somers, Deputy Director, reported on appropriations received last year. The \$100,000 appropriated to the Community Library Enhancement Fund was used to help 5 struggling libraries get or maintain accreditation. Museum Grants received \$100,000 which provided grants to 35 museums around the state. The \$200,000 for art shelving is being used to provide pull-out shelving which allows art work to be stored more safely and seen without being handled. Some successes from grant programs include: "Weber Works" through the Weber County Library System which is a technology based skills training program for the unemployed or underemployed in the service area. Through the Division of State History a grant was given to Emery County for the preservation of the San Rafael Bridge, the only remaining suspension bridge in Utah, and a popular tourist attraction. In Helper City blighted properties on Main Street were purchased and turned into art studios for local artists. A grant given to Cache Valley School District provided 57,104 hours in teacher training in arts education. A video was shown of the Cache Valley "Art in Transit" program which is getting art made by children displayed in public places such as inside and outside public buses.

Rep. Arent reported on the positive attitudes of the employees in the department and asked why none of the art collection owned by the state is displayed in committee rooms such as the one we are in.

### **Insurance Analyst Presentation and Agency Response Base Budget**

Dr. Wilko reviewed the Insurance base budget using the COBI online.

Todd Kiser, Commissioner, Insurance Department, accompanied by Patrick Lee, Finance Director, shared a thank-you note received from a staff member expressing appreciation for

receiving a raise. Using a slide presentation, he reviewed the mission and organization of the department. There are about 17 on the examination division team who regulate the forty-five insurance companies domiciled in Utah. The closure of Arches Health Plan was explained. The Utah Captive Division is the 2nd largest in the United States and 4th largest world wide. Applications and renewals can now be done online. Producer licensing is also fully automated. The Health Insurance Division has 18 employees, primarily responsible for the implementation of the Affordable Care Act. Training is a large part of the administration division and requires travel. In the enforcement area is the fraud team which is recognized internationally and is successful partly because it has the power to prosecute. One particular case was discussed in which one individual had staged 22 separate accidents to defraud insurance and individuals. Insurance was a \$14.5 Billion industry in Utah in 2015 and is one of the top five contributors to the General Fund. The Restricted Account has been growing at a rate of 20 percent. Funding from two federal grants will be lost. The agency is requesting \$150,000 in non-lapsing funds.

Patrick Lee, Finance Director, reported that there are no new budget requests and that the agency is able to give back to the General Fund \$265,000 which can be reallocated by the committee.

Commissioner Kiser reported on successes in finding areas to trim in the budget, among them was the online applications in the Captive Division. In answer to question, it was reported that there was federal reinsurance money available to meet the Arches Health Plan obligation, but first the amount needs to be paid off 100 percent. This will be done by the Insurance Department's ability to assess HMO's. When the federal funds come in that money can be repaid. It is still unknown how this will play out. Fortunately the problem was caught early, but so far there is no sign of fraud.

### **GOED Analyst Presentation and Agency Response Base Budget**

Dr. Wilko reviewed the GOED base budget using COBI online, pointing out that the agency is requesting a separate pass-through line item which will allow a more accurate representation of the actual operating budget. The \$400,000 budgeted for Avenue H is available to be reallocated, and the agency requests that it be moved to the tourism line to help fund the welcome center in St. George. There are no significant fee changes. Non-lapsing intent is also requested.

Vickie Varela, Office of Tourism, reported that the previously mentioned \$400,000 would finish the funding need for the St. George welcome center.

Val Hale, Executive Director, accompanied by Kimberly Henrie, Deputy Director, reported that the state is receiving much recognition: Newsweek in September 2015 profiled Ogden for having the best income equality in the nation and an expanding middle class. Brookings Institution in June 2015 also praised Ogden. In January 2016 CNN Money ran a special profile on Provo titled "Boomtown America." Forbes ranked Salt Lake City #2 in its list of America's next boom towns. The state was ranked #1 as a travel destination by Fodor's Travel. Utah ranks 3rd in the nation for

average broadband speeds. Gallup ranked Utah #1 in job growth. GOED's vision is that Utah will lead the nation as the best performing economy and will be recognized as the premier global business environment and tourist destination. The previously mentioned accolades show the successes which are being achieved. GOED's mission is to enhance quality of life by increasing and diversifying Utah's revenue base and improving employment opportunities. In answer to the question of what the challenges are it was reported that #1 is the talent pipeline. Air quality is a concern. GOED seeks to attract through tourism, recruit by bringing in certain companies, and grow by providing urban and rural business services. The base budget is \$31,03,7500 with 89 FTE's. The STEM Action Center and pass through appropriations are almost half the budget. Tourism Marketing Performance Fund is shared 10 percent with the Utah Sports Commission. The Industrial Assistance Fund contains about \$27.4 Million of which about half is encumbered and unavailable to spend.

The Economic Development Tax Increment Financing program (EDTIF) is a tool used in corporate recruitment. Last year 22 companies were incentivised, \$746.4 Million was brought in in capital expenditures, and about 5,865 new jobs are forecast to be created. A short video was shown of the EDTIF recruitment process and successes achieved. Urban and Rural Business Services and Utah Aerospace Pathways, a public/private partnership were discussed. Tourism, Film and Global Branding in 2014 resulted in travelers spending \$7.8 Billion in Utah generating \$1.07 Billion in state and local tax revenues. The Motion Picture Incentive Program incentivised 35 projects last year. Over five years the Sundance Film Festival has brought in \$32.5 Million in state and local tax revenue. An additional two short videos were shown touting all the great things about Utah.

### **Alcoholic Beverage Control Response Base Budget**

Dr. Wilko reviewed the DABC budget from COBI online. Over \$100 Million was lapsed to the General Fund from the Liquor Control Fund profits.

Sal Petilos, Director, DABC, referenced the mission statement and the 3 functions of the department; operations comprising the warehouse and retail stores, regulatory comprising licensing and compliance, and education which is the Parents Empowered program.

Cade Meier, Deputy Director, using a slide presentation, showed that in the past five years retail sales have grown 34 percent and gross profit has increased 42 percent. Cases sold is used as a metric, and since 2012 sales per FTE have increased 23 percent. Sales per square foot are up 34 percent which is comparable to Costco. Products sold per transaction continues to increase.

Nina McDermott, Director of Licensing and Compliance, reported that the biggest portion of their work is event permits at 638 issued in FY 2015. The licensing process has been streamlined making it possible to divert more resources to compliance. There are currently 2,182 total licenses and permits, 1,825 are retail licenses. Compliance visits have increased by 29 percent. More restaurants are trending to only serving beer and wine and not spirits.

Doug Murakami, Chair of Parents Empowered, reported that underage drinking rates are dropping at

a greater rate than the national average, but alcohol continues to be the #1 substance abused by youth. There are still pockets of problems.

The department was praised for its response to the difficult audit and its good work resulting in sales numbers continuing to go up in spite of decreased funding. There was discussion about how the department deals with other agencies such as law enforcement in addressing the problem of alcohol abuse at any age. Employee pay scales were discussed and the fact that 60 percent of employees are part-time.

**MOTION:** Rep. Westwood moved to adjourn. The motion passed unanimously with Sen. Bramble, Sen. Davis, Sen. Vickers, Rep. V. Peterson, and Rep. Wilson absent for the vote.

Rep. Barlow adjourned the meeting at 10:44 a.m.

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Sen. Brian E. Shiozawa, Chair

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Rep. Dixon Pitcher, Chair